

Message Text

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TO AMEMBASSY VIENNA

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FOLLOWING REPEAT EC BRUSSELS 6961 SENT ACTION SECSTATE

INFO ROME OECD PARIS SEP 11TH.

QUOTE:

UNCLAS EC BRUSSELS 6961

E.O. 11652: N/A

TAGS: EFIN, EEC

SUBJECT: FOREIGN TAXATION OF USG EXPENDITURES ABROAD--
VISIT TO EC SEPTEMBER 30 OF STATE/DEFENSE INTERDEPART-
MENTAL SUBCOMMITTEE ON FOREIGN TAX RELIEF

REF: A. EC BRUSSELS A-239, JULY 30, 1974

B. STATE 196338

1. THE INDIVIDUAL MEMBER STATES OF THE EC HAVE THE PRIMARY RESPONSIBILITY FOR TAX POLICY. THE COMMISSION CAN ONLY marginally INFLUENCE THE MEMBER STATES DECISIONS REGARDING EXEMPTIONS TO THE VALUE ADDED TAX (VAT). CONSEQUENTLY, THE MEMBER STATES ARE THE MOST AUTHORITATIVE SOURCE CONCERNING THE USG'S LIABILITY FOR PAYMENT OF THE VAT ON OFFICIAL EXPENDITURES. VAT EXEMPTIONS FOR US DIPLOMATIC PERSONNEL ARE ALSO HANDLED SEPARATELY BY EACH MEMBER STATE.

2. IN JULY 1974 THE EC COMMISSION MADE A NEW ATTEMPT TO OBTAIN
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THE COUNCIL'S AGREEMENT ON A UNFIRM BASIS OF ASSESSMENT FOR

THE VAT (REF A). BOTH ITS NEW AND OLD PROPOSALS HAVE INCLUDED STANDARD RULES REGARDING EXEMPTIONS, INCLUDING COMMON PROCEDURES FOR THE APPLICATION OF EXEMPTIONS, THOUGH NEITHER PROPOSAL GOES INTO MUCH DETAIL ON THE SUBJECT OF DIPLOMATIC EXEMPTIONS. THE COMMISSION'S PREVIOUS PROPOSAL WAS FOR AN EFFECTIVE HARMONIZATION DATE OF JANUARY 1, 1975. THE MOST RECENT PROPOSAL CONTAINS AN INDEFINITE POSTPONEMENT OF THE EFFECTIVE DATE. THIS DECISION TO DELAY HARMONIZATION OF THE VAT WILL PUT OFF THE IMPLEMENTATION OF UNIFORM PROCEDURES UNTIL AT LEAST 1978. A COPY OF THE COMMISSION'S NEW DRAFT PROPOSAL (COM(74)795 FINAL) IS BEING POUCHED TO THE DEPARTMENT (RPE) FOR TRANSMITTAL TO THE SUBCOMMITTEE OF THE INTERAGENCY COMMITTEE.

3. THE EC COMMISSION BELIEVES, HOWEVER, THAT IT IS BEING KEPT INFORMED OF THE VARIOUS LAWS AND PRACTICES OF THE MEMBER STATES REGARDING EXEMPTIONS FOR DIPLOMATIC AND CONSULAR EXPENDITURES, AND COMMISSION OFFICIALS WOULD BE PLEASED TO DISCUSS WITH THE INTERDEPARTMENTAL SUBCOMMITTEE MEMBERS THE ISSUE OF THE GRANTING OF EXEMPTIONS TO THE VAT BY THE EC MEMBER STATES. THEY WOULD ALSO BE WILLING TO DISCUSS IN GENERAL TERMS THE RATIONALE FOR EXEMPTION FOR DIPLOMATIC AND CONSULAR EXPENDITURES.

4. MR. ROBERT GOERGEN, THE DIRECTOR FOR TAXATION IN THE COMMISSION'S DIRECTORATE-GENERAL FOR FINANCIAL INSTITUTIONS AND TAXATION, WILL NOT BE IN BRUSSELS UNTIL OCTOBER 8. HIS CHIEF ADVISER, MR. PIERRE GUIEU, HOWEVER, WOULD MEET WITH MEMBERS OF THE SUBCOMMITTEE DURING THE WEEK OF SEPTEMBER 30. MR. GOERGEN WOULD BE PLEASED TO MEET WITH MEMBERS OF THE SUBCOMMITTEE ON OR AFTER OCTOBER 8. GREENWALD
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